



# MUNICIPAL HEALTHCARE REFORM

# Why was Chapter 69 of the Acts of 2011 Enacted?

The Commonwealth of Massachusetts operates a state-wide health insurance program administered by the Group Insurance Commission, which can make plan design changes and premium contribution rate changes without bargaining the impacts with labor unions. This provides unilateral authority to implement cost-savings measures.

City and town officials asked the Governor and Legislature for similar powers in order to provide equity and relief for taxpayers, protect vital local and school services, preserve jobs, and provide for critically important capital projects.

After lengthy negotiations among municipal, business and labor leaders, the Legislature and Governor's office, a compromise was reached through the law changes enacted under Chapter 69 of the Acts of 2011.

# What was the main reason for the State to enact these laws?

- The reform's primary goal was to create budget savings for cities and towns , provide equity and relief for taxpayers, protect vital local services .
- Ensure that municipal employee's receive affordable quality health care.
- Spending on Health Insurance for employees and retirees has grown much faster than revenues.
- Continued unabated increases in Health Insurance are not sustainable.
- Savings state wide have exceeded \$237 million to date. The reform law has the potential to produce more than \$2.8 billion in savings, if implemented in all cities and towns.

# Woburn Health Insurance Costs Increased More Than 100% in 10 Years

- During the same time ,General Fund Expenditures increased by 40%
- In addition, Health Insurance costs represent nearly 14% of General Fund budget expenditures. The average yearly increase over the past four years has been 7%. In FY 2014 , the City spent more than \$16,000,000 on Employee Health Insurance.
- Health Insurance costs continue to consume a greater percentage share of the City's General Fund Expenditures each year.

# Health Care Costs – 10 Years

FY	Health Insurance	HC Total Increase	% of Budget	Budget Total Increase	Total General Fund Expenditures
Column1	Column2	Column3	Column22	Column222	Column3
2003	\$7,602,691.00		9.30%		\$81,787,783.00
2004	\$8,385,716.00	10%	10.06%	2%	\$83,332,586.00
2005	\$9,368,847.00	23%	10.85%	6%	\$86,339,639.00
2006	\$10,871,049.00	43%	11.71%	14%	\$92,870,657.00
2007	\$11,611,893.00	53%	11.65%	22%	\$99,687,512.00
2008	\$13,007,976.00	71%	12.66%	26%	\$102,732,724.00
2009	\$12,881,627.00	69%	12.25%	29%	\$105,140,733.00
2010	\$13,178,965.00	73%	12.23%	32%	\$107,773,118.00
2011	\$13,873,378.00	82%	13.16%	29%	\$105,436,629.00
2012	\$15,180,635.00	100%	14.00%	33%	\$108,441,715.00
2013	\$15,831,977.00	108%	13.87%	40%	\$114,117,698.00

## General Fund

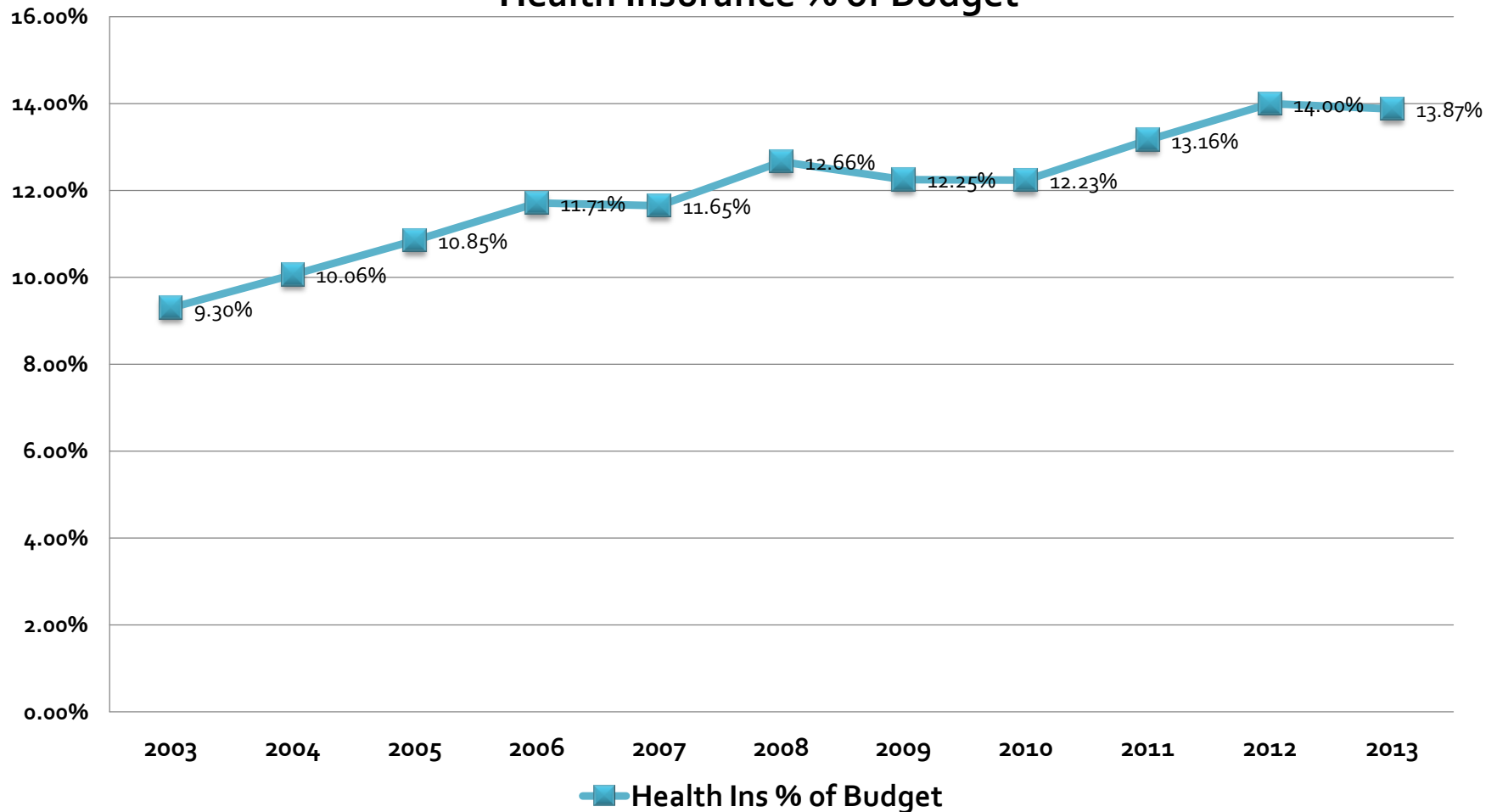
\$81,787,783.00			
\$83,332,586.00	\$81,787,783.00	\$1,544,803.00	2%
\$86,339,639.00	\$81,787,783.00	\$4,551,856.00	6%
\$92,870,657.00	\$81,787,783.00	\$11,082,874.00	14%
\$99,687,512.00	\$81,787,783.00	\$17,899,729.00	22%
\$102,732,724.00	\$81,787,783.00	\$20,944,941.00	26%
\$105,140,733.00	\$81,787,783.00	\$23,352,950.00	29%
\$107,773,118.00	\$81,787,783.00	\$25,985,335.00	32%
\$105,436,629.00	\$81,787,783.00	\$23,648,846.00	29%
\$108,441,715.00	\$81,787,783.00	\$26,653,932.00	33%
\$114,117,698.00	\$81,787,783.00	\$32,329,915.00	40%

## Health Care

\$7,602,691.00			
\$8,385,716.00	\$7,602,691.00	\$783,025.00	10%
\$9,368,847.00	\$7,602,691.00	\$1,766,156.00	23%
\$10,871,049.00	\$7,602,691.00	\$3,268,358.00	43%
\$11,611,893.00	\$7,602,691.00	\$4,009,202.00	53%
\$13,007,976.00	\$7,602,691.00	\$5,405,285.00	71%
\$12,881,627.00	\$7,602,691.00	\$5,278,936.00	69%
\$13,178,965.00	\$7,602,691.00	\$5,576,274.00	73%
\$13,873,378.00	\$7,602,691.00	\$6,270,687.00	82%
\$15,180,635.00	\$7,602,691.00	\$7,577,944.00	100%
\$15,831,977.00	\$7,602,691.00	\$8,229,286.00	108%

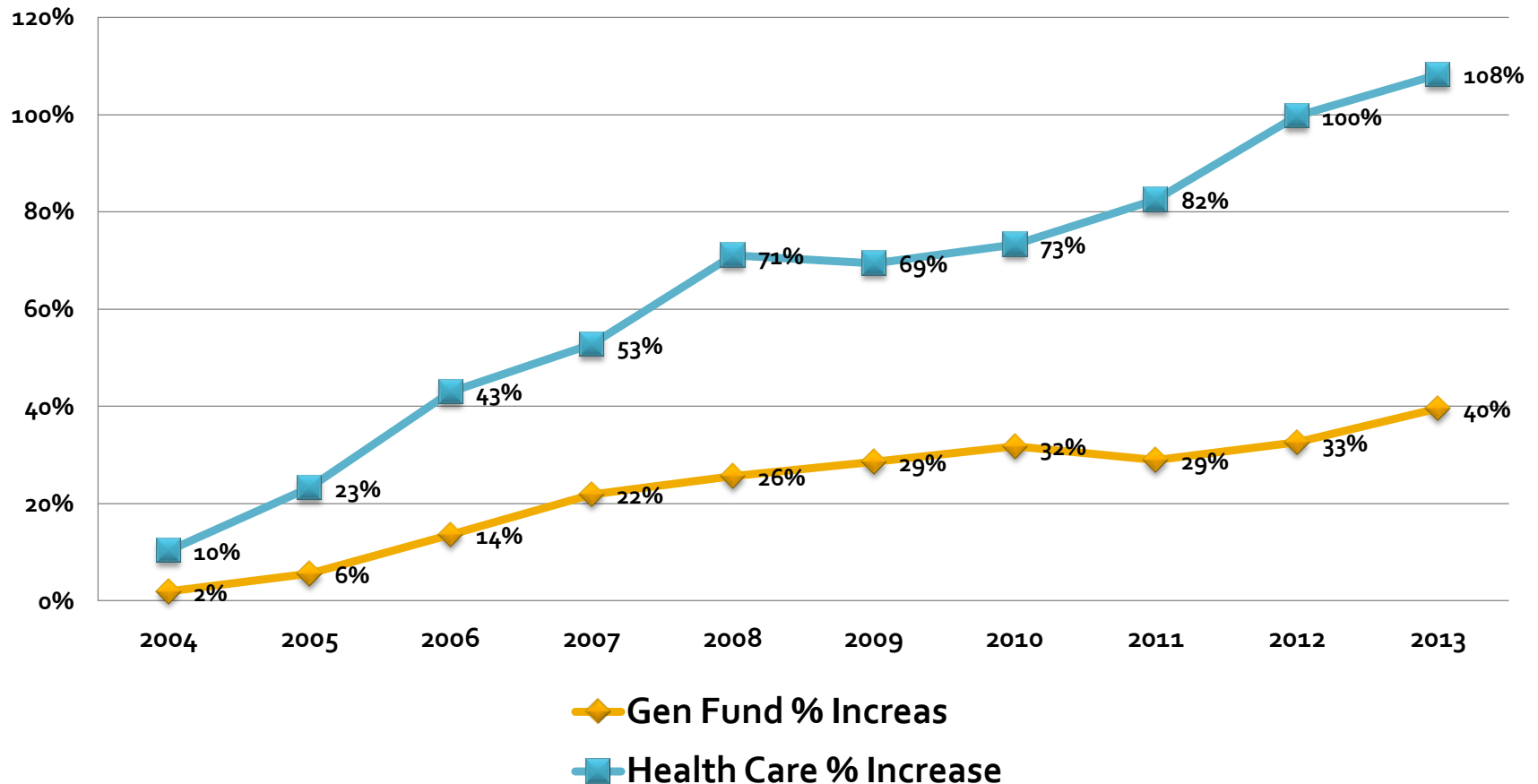
# Health Care Costs – 10 Years

Health Insurance % of Budget



# Health Care Costs – 10 Years

Percentage Increase General Fund versus Health Care over 10 Years



# The Reform Process at a Glance:

**Chapter 32B, Sections 21-23 (Chapter 69 of the Acts of 2011): The Reform Process.**

**Before the reform process can begin The City Council must first accept 32B sec 21-23.**

The reform process provides for expedited bargaining to negotiate a new health insurance benefit plan for employees. If local governments and their unions fail to reach agreement within 30 days, the process moves to a three-person review panel, with one member appointed by unions, one by the local government, and one selected by the Secretary of Administration and Finance.

Local governments can use this process to adopt co-pays and deductibles, along with other cost-sharing health care plan design features that are not higher than those offered by the Group Insurance Commission (GIC).

Alternatively, municipalities can transfer employees to the GIC if it would result in at least 5 percent more savings than could be achieved through a local health care plan. The law also allows a portion of savings (up to 25 percent of total premium savings) to be returned to employees (mitigation). The process cannot be used to negotiate changes in premium contribution rates. Municipal health care reform regulation 801 CMR 52.00 provides additional detail and guidance on this process.



# What is the City Council voting on?

- The City Council is voting on the process used to negotiate the impact of plan design changes made to healthcare offerings administered by the City of Woburn, and whether it wants to provide the option to consider joining the Group Insurance Commission. The City Council is not being asked to authorize specific plan design changes or changes to contribution rates.
- The City Council has no authority to approve the specific plan design offered, including co-pay amounts or deductible amounts.

# Will there be any change to the current health plan coverage if the City Council adopts M.G.L. 32B, Sec. 21-2?

The quality of care received under the current plans will not change as a result of City Council acceptance.

Only plan design features could change.

# Will the plan design changes and premium reductions result in savings, or more expenses for subscribers?

- In some cases, the savings to subscribers as a result of any premium reductions could more than offset any additional costs incurred from the increased co-pays and deductibles.
- Every individual subscriber's situation is unique and unpredictable.

# Can a plan be put into place to mitigate subscribers who may be impacted by these changes?

- If the City Council adopts Sec. 21, a mitigation plan will be put into place to assist those who are impacted – via funding of up to 25% of savings incurred in the first 12 months of implementation of plan design changes.

# Hypothetical Plan Design Changes

## ➤ Three Charts :

- City of Woburn Medex Plan Comparison;
- City of Woburn Managed Blue for Seniors Comparison;
- City of Woburn FY14 HMO Plan Analysis – Active Plan Overview.

## City of Woburn Medex Plan Comparison

BENEFIT	Current	Alternative
	MIIA Medex 3 - \$35	MIIA Medex 2 w/ PDP
Service Area	Nationwide	Nationwide
Plan Effective Date	Plan Year	Calendar Year
Referral Required	No	No
Physician Office Visit	Full coverage of Medicare deductible and co-insurance	Full coverage of Medicare deductible and co-insurance
Emergency Room	Full coverage of Medicare deductible and co-insurance	Full coverage of Medicare deductible and co-insurance
Inpatient Hospital Admission	Full coverage of Medicare deductible and co-insurance	Full coverage of Medicare deductible and co-insurance
Ambulatory Day/Outpatient Surgical Day	Full coverage of Medicare deductible and co-insurance	Full coverage of Medicare deductible and co-insurance
Diagnostic X-rays and Lab Tests	Full coverage of Medicare deductible and co-insurance	Full coverage of Medicare deductible and co-insurance
Short-Term Physical and Occupational Therapy	Full coverage of Medicare deductible and co-insurance	Full coverage of Medicare deductible and co-insurance
Skilled Nursing Facility Care - participating with Medicare	Full coverage of Medicare daily co-insurance for days 21 - 100; \$10 daily for days 101 - 365	Full coverage of Medicare daily co-insurance for days 21 - 100; \$10 daily for days 101 - 365
Skilled Nursing Facility Care - not participating with Medicare	\$8 daily for 365 days per benefit period	\$8 daily for 365 days per benefit period
Home Health and Hospice Care	Full coverage of Medicare deductible and co-insurance	Full coverage of Medicare deductible and co-insurance
Durable Medical Equipment	Covered in full per Medicare approved item	Covered in full per Medicare approved item
Prescription Drug - Retail RX (up to 30-day supply) - Mail Order Drug RX (up to 90-day supply)	After \$35 calendar-quarter deductible (at retail pharmacy): Full coverage for generics and 80% coverage for brand name \$2 generics and \$15 brand name	\$10/20/35 \$20/40/70
Retiree Drug Subsidy Eligible (RDS)	Yes	No (subsidy is built into rate)
Implementation Timeframe	60 days	90 days

\* Benefits outlined above are summarized for illustrative purposes only and subject to change

## City of Woburn Managed Blue For Seniors Plan Comparison

BENEFIT	Current	Alternative
	MIIA Managed Blue For Seniors - %	MIIA Managed Blue For Seniors - w/ PDP
Service Area	Massachusetts only	Massachusetts only
Plan Effective Date	Plan Year	Calendar Year
Referral Required	Yes	Yes
Routine Office Visit	\$10 Copay	\$10 Copay
Emergency Room	\$50 Copay (waived if admitted)	\$50 Copay (waived if admitted)
Inpatient Hospital Admission	Full coverage	Full coverage
Ambulatory Day/Outpatient Surgical Day	Full coverage	Full coverage
Diagnostic X-rays and Lab Tests	Full coverage	Full coverage
Short-Term Physical and Occupational Therapy	\$10 Copay	\$10 Copay
Skilled Nursing Facility Care - participating with Medicare	Full coverage up to 100 days per benefit period	Full coverage up to 100 days per benefit period
Skilled Nursing Facility Care - not participating with Medicare	No coverage	No coverage
Home Health and Hospice Care	Full coverage	Full coverage
Durable Medical Equipment	\$10 per Medicare approved item	\$10 per Medicare approved item
Prescription Drug - Retail RX (up to 30-day supply) - Mail Order Drug RX (up to 90-day supply)	25%/50%/75% coinsurance \$5/30/50	\$10/20/35 \$20/40/70
Retiree Drug Subsidy Eligible (RDS)	Yes (subject to actuarial review)	No
Implementation Timeframe	60 days	90 days

\* Benefits outlined above are summarized for illustrative purposes only and subject to change

CITY OF WOBURN FY14 HMO PLAN ANALYSIS - ACTIVE PLAN OVERVIEW\*

Benefits		CURRENT HMO BLUE	ALTERNATIVE HMO BUE BENCHMARK "MODIFIED"		
Provider Tiering		n/a	Enhanced	Standard	Basic
Plan Year Deductible**		\$0	\$0	\$250 per member / \$750 per family	
Preventive Copay*		\$0	\$0		
PCP Copay		\$20	\$20		
Specialist Copay		\$20	\$35		
Diagnostic Lab and X-rays (excludings, CT Scans, MRI's, PET Scans, and nuclear imaging)		\$0	\$0	\$0, after deductible	
ER Copay		\$75	\$100		
Inpatient Hospital Copay		\$0	\$300	\$300, after deductible	\$700, after deductible
Outpatient Surgical Copay		\$0	\$150	\$150, after deductible	
Short Term Rehab (PT and OT)		\$20	\$20, visits 1-20 \$35, visits 21-60		
Chiropractic Services		\$20	\$35		
CT Scans, MRI's, Pet Scans and nuclear imaging		\$0	\$50	\$50, after deductible	\$100, after deductible
Retail RX		\$10/\$20	\$10/\$25/\$50		
Mail Rx		\$20/\$40	\$20/\$50/\$110		
Tier	Enrolled	Rates	Rates		
Single	300	\$712.20	\$677.85		
Two-Party	0	\$0.00	\$0.00		
Family	645	\$1,894.36	\$1,802.99		
Annual Premium		\$17,226,266	\$16,395,403		
FY 14 Alternative Plan Savings		\$830,864			

\*intended to serve as an illustrative FY 14 analysis. Please reference FY 15 benefit summaries for detailed benefit determinations and FY 15 MIIA proposal for FY 15 rates



# Hypothetical Cost Savings

## City of Woburn: FY 14

### MIIA ALTERNATIVE - HMO MODIFIED BENCHMARK, PPO BENCHMARK & RETIREES (MEDICARE)

Plan	Enrollment	Monthly Rate 1/1/2014	Monthly Premium	City Share		Member Share	
				Ind	Fam	Ind	Fam
HMO MODIFIED BENCHMARK Ind	300	\$677.85	\$203,355	80.0%	80.0%	20.0%	20.0%
HMO MODIFIED BENCHMARK Fam	645	\$1,802.99	\$1,162,929	\$542.28	\$135.57	\$360.60	
				\$1,442.39			
PPO STANDARD BENCHMARK Ind	10	\$949.26	\$9,493	67.5%	67.5%	32.5%	32.5%
PPO STANDARD BENCHMARK Fam	14	\$2,356.87	\$32,996	\$640.75	\$308.51	\$765.98	
				\$1,590.89			
Medex 2 STANDARD PDP	178	\$347.79	\$61,907	75.0%	25.0%		
				\$260.84	\$86.95		
Managed Blue For Seniors STANDARD PDP	219	\$240.62	\$52,696	90.0%	10.0%		
				\$216.56	\$24.06		
Total Headcount		1366	Total	City		Employee	
Monthly premium			\$1,523,375	\$1,215,563		\$307,812	
Annual premium			\$18,280,497	\$14,586,755		\$3,693,742	
MIIA Benchmark Annual Premium \$\$ Increase or Decrease (+ or -)			-\$1,795,749	-\$1,429,433		-\$366,316	
MIIA Benchmark Annual Premium % Increase or Decrease (+ or -)			-8.9%	-8.9%		-9.0%	

# FY2014 – Health Care Costs

## City of Woburn : FY14 Health Care Plan Costs

### MIA CURRENT BENEFITS

Plan	Enrollment	Monthly Rate 1/1/2014	Monthly Premium	City Share		Employee Share	
				Ind	Fam	Ind	Fam
HMO Blue Ind	300	\$712.20	\$213,660	80.0%	80.0%	20.0%	20.0%
HMO Blue Fam	645	\$1,894.36	\$1,221,862	\$569.76	\$142.44	\$1,515.49	\$378.87
PPO Ind	10	\$1,014.47	\$10,145	67.5%	67.5%	32.5%	32.5%
PPO Fam	14	\$2,518.78	\$35,263	\$684.77	\$329.70	\$1,700.18	\$818.60
Medex 3 Ind	178	\$646.71	\$115,114	75.0%	25.0%	\$485.03	\$161.68
Managed Blue For Seniors	219	\$351.49	\$76,976	90.0%	10.0%	\$316.34	\$35.15
Total Headcount		1366	Total	City		Employee	
Monthly premium			\$1,673,021	\$1,334,682		\$338,338	
Annual premium			\$20,076,246	\$16,016,188		\$4,060,058	

# Can the City join the Group Insurance Commission if the City Council accepts 32B Sec. 21-23?

If the City Council approves the adoption of Sec. 23, the City has the option to join the GIC if an additional savings of 5% or more could be achieved by doing so when compared with maximum savings at the local level.

This is an option and is not mandated. Under the law, the Mayor would make the decision to join.

# Municipalities that have joined GIC

City (12 Total)	Date Effective	Towns (Total 30)	Date Effective	Towns (Total 30) cont.	Date Effective
Gloucester	1/1/14	Arlington	1/1/12	Monson	7/1/12
Lawrence	11/1/10	Bedford	7/1/12	North Andover	1/1/14
Lowell	7/1/12	Brookline	7/1/10	Norwood	7/1/09
Medford	1/1/12	Dracut	7/1/13	Orange	1/1/13
Melrose	7/1/09	East Bridgewater	7/1/14	Randolph	7/1/09
Northampton	1/1/14	Framingham	7/1/14	Saugus	1/1/08-6/30/14
Peabody	1/1/13	Groveland	7/1/08	Stoneham	7/1/09
Pittsfield	7/1/09	Holbrook	7/1/08	Sudbury	7/1/12
Quincy	7/1/09	Holden	7/1/12	Swampscott	7/1/09
Salem	7/1/12	Hopedale	7/1/10	Wakefield	1/1/12
Somerville	1/1/12	Lexington	7/1/12	Watertown	7/1/09
Springfield	1/1/07	Lynnfield	1/1/11	Wenham	7/1/09
		Marblehead	7/1/12	Weston	7/1/09
		Middleboro	7/1/14	Weymouth	7/1/09
		Millis	7/1/08	Winthrop	7/1/08

# Have other communities adopted these new laws?

According to the Massachusetts Executive Office for Administration & Finance, many communities have adopted the law.

# Summary of Cities & Towns Adopting Local Option Reform

Municipality	Known to have adopted reform option	Municipality	Known to have adopted reform option
ABINGTON	X	EAST BRIDGEWATER	X
ACUSHNET	X	EAST LONGMEADOW	X
ANDOVER	X	EASTHAM	X
ARLINGTON	X	EDGARTOWN	X
AYER	X	EVERETT	X
BARNSTABLE	X	FAIRHAVEN	X
BEDFORD	X	FALL RIVER	X
BELMONT	X	FALMOUTH	X
BEVERLY	X	FOXBOROUGH	X
BILLERICA	X	FRAMINGHAM	X
BOXBOROUGH	X	FREETOWN	X
BREWSTER	X	GARDNER	X
CANTON	X	AQUINNAH	X
CARLISLE	X	GEORGETOWN	X
CARVER	X	GREAT BARRINGTON	X
CHATHAM	X	HARVARD	X
CHELMSFORD	X	HARWICH	X
CLINTON	X	HAVERHILL	X
CONCORD	X	HINGHAM	X
DARTMOUTH	X	HOLDEN	X
DEDHAM	X	HOLLISTON	X
DENNIS	X	HULL	X
DUXBURY	X	IPSWICH	X
EAST BRIDGEWATER	X	LANCASTER	X
EAST LONGMEADOW	X	LANESBOROUGH	X

Municipality	Known to have adopted reform option
LEE	X
LEXINGTON	X
LITTLETON	X
LONGMEADOW	X
LOWELL	X
LUDLOW	X
MANCHESTER	X
MARSHFIELD	X
MASHPEE	X
MERRIMAC	X
MIDDLEBOROUGH	X
MILFORD	X
NANTUCKET	X
NEWBURYPORT	X
NORTH ANDOVER	X
NORTH ATTLEBOROUGH	X
NORTHAMPTON	X
NORTHBRIDGE	X
NORWELL	X
OAK BLUFFS	X
ORANGE	X
ORLEANS	X
PEMBROKE	X
PLAINVILLE	X
PLYMOUTH	X

Municipality	Known to have adopted reform option
PROVINCETOWN	X
RAYNHAM	X
ROCKLAND	X
SALEM	X
SANDWICH	X
SCITUATE	X
SEEKONK	X
SHARON	X
SHEFFIELD	X
SOMERVILLE	X
SOUTHBOROUGH	X
STOW	X
SUDBURY	X
TISBURY	X
TRURO	X
TYNGSBOROUGH	X
WAKEFIELD	X
WAREHAM	X
WEBSTER	X
WELLFLEET	X
WEST BOYLSTON	X
WESTFIELD	X
WESTFORD	X

# What is the long-term financial impact to subscribers and the City if this is approved?

- Savings from the reduced premium charges could save the City and employees more than \$1.7 million in the first year alone.
- Employees will share in the overall savings based on their percent contribution rate. Currently, most City employees pay 20% of the premium for their Health Insurance and the City pays the other 80%.
- OPEB – By adopting the Municipal Health Care Reform Act, and implementing the hypothetical plan design changes, Woburn's unfunded actuarial accrued liability as of June 30, 2011 would be reduced by more than \$35 million—a 14% decrease.